



SHARPE JAMES
MAYOR
NEWARK, NEW JERSEY
07102

MEMORANDUM

TO: The Honorable Members of the Newark Municipal Council

FROM: Mayor Sharpe James *[Signature]*

DATE: August 21, 2002

RE: *Proposed fiscal relief for 2002 Newark Municipal Budget to avert layoffs and fiscal crisis*

As per your request, I am enclosing my remarks made before you on Wednesday, August 21, 2002 encompassing a proposed new lease with the Port Authority of New York/New Jersey that will avert the layoffs of police, fire and other municipal employees. Also, we will realize a new economic engine for job creation, new opportunities and new hope for all citizens of Newark.

Even more importantly, however, will be the establishment of a new *Neighborhood Revaluation Relief Project* program.

**CITY OF NEWARK
CURRENT 2002 FISCAL PROBLEM**

2002 NEWARK MUNICIPAL BUDGET SHORTFALL OF \$65 MILLION:

- SEPTEMBER 11TH DISASTER & INCREASED DOMESTIC TERRORIST DEFENSE COSTS
- CORPORATE AMERICA FAILURE
- DOWNTREND IN THE ECONOMY
- PENSION LOSSES
- LOWER MUNICIPAL COLLECTION RATES
- ESSEX COUNTY TAX INCREASE
- BOARD OF EDUCATION FISCAL DEMANDS

PROPOSED SOLUTION:

- LAYOFFS OF POLICE PERSONNEL . . . (IMMEDIATELY)
- LAYOFFS OF FIRE PERSONNEL . . . (IMMEDIATELY)
- LAYOFFS OF OTHER EMPLOYEES . . . (IMMEDIATELY)
- REDUCED MUNICIPAL SERVICES . . . (IMMEDIATELY)
- RAISE TAXES . . . (IMMEDIATELY)
- CUT FUNDING FROM CRUCIAL PROJECTS . . . (IMMEDIATELY)
- NO ARENA . . . (IMMEDIATELY)
- NO MAJOR NEW PROJECTS . . . (IMMEDIATELY)

PORT AUTHORITY OF NEW YORK/NEW JERSEY

- NEWARK'S CURRENT LEASE EXPIRES IN 2031
- IT CALLS FOR \$18 MILLION ANNUAL RENT PAYMENTS
- IT'S GOOD FOR 29 YEARS

LEASE HISTORY

- 1970/KEN GIBSON \$500,000 ANNUAL RENT PAYMENTS
- THEREAFTER/KEN GIBSON \$1,000,000 ANNUAL RENT PAYMENTS
- 1991-2031 \$18,000,000 ANNUAL RENT PAYMENTS

ALSO

PLUS POTENTIAL ANNUAL ADDITIONAL PAYMENT BASED ON NET REVENUE

ALSO

- 1985 HOST MUNICIPALITY AGREEMENT FOR ESSEX COUNTY RESOURCE RECOVERY FACILITY INCINERATOR (ANNUAL PAYMENT \$1.3 MILLION PLUS)
- 1988 LEGAL CENTER EXCESS PROFITS GENERATE PAYMENT TO THE CITY OF NEWARK
- 1986 ESTABLISHMENT OF COMMUNITY TRUST FUND OF \$1 MILLION ANNUALLY

PROPOSED SOLUTION TO NEWARK'S FISCAL CRISIS:

- a) TO ARRANGE FOR A NEW LEASE WITH THE PORT AUTHORITY OF NEW YORK/NEW JERSEY
- b) LEGAL SUIT FOR TRUE VALUE OF NEWARK'S LAND CONTINUES

PROPOSED 2002 NEW PORT AUTHORITY LEASE
2002 - 2065

- a) YEAR 1 (2002) \$100 MILLION ANNUALLY "(IMMEDIATELY TO PREVENT LAYOFFS, TAX INCREASE AND CURTAILMENT OF MUNICIPAL SERVICES)"
- b) YEARS 2-5 ⁴⁵ \$68 MILLION ANNUALLY
- c) YEARS 6-10 ⁶⁵ \$68 MILLION ANNUALLY AND/OR 10% OF GROSS REVENUES OVER THE LAST 5 YEARS AND/OR 8% OF A BANNER YEAR GROSS RECEIPTS, WHICHEVER IS HIGHER

ALSO

- A NEW YORK CITY PROTECTION HOLD HARMLESS CLAUSE (WHICHEVER LEASE OR SETTLEMENT IS HIGHER, NEWARK WILL RECEIVE SAID AMOUNT)
- NEWARK TO IMMEDIATELY RECEIVE \$165 MILLION FOR ECONOMIC DEVELOPMENT
- NEWARK CAN SPEND BALANCE OF COMMUNITY TRUST FUND WITH NO RESTRICTIONS

**A REQUEST FOR CONSIDERATION FROM THE PORT AUTHORITY OF
NY/NJ**

- a) A REQUEST TO REMOVE FROM NEWARK'S LEGAL ARGUMENT A CLAIM AGAINST PFC (PASSENGER FACILITY CHARGES) WHEREAS THESE FUNDS ARE USED FOR CAPITAL PROJECTS ONLY**
- b) AN AGREEMENT NOT TO ADD ANY ADDITIONAL CHARGES TO THE PRESENT COMPLAINT *(NEWARK'S CORPORATION COUNSEL WOULD AMEND THIS REQUEST THAT IF ANY FRAUD OR WRONG INFORMATION PRESENTED, THE CITY OF NEWARK COULD AMEND IT'S COMPLAINT)***

**SUMMARY OF SAVE NEWARK
SAVE THE TAXPAYERS PLAN**

- *IMMEDIATELY \$265 MILLION IN NEW REVENUE**
- *NO LAY OFFS OF POLICE, FIRE AND OTHER PERSONNEL**
- *NO REDUCTION IN THE DELIVERY OF MUNICIPAL SERVICES**
- *NO CURTAILMENT OF MUNICIPAL PROJECTS IN JERSEY CITY**
- *NEW PROJECTS WILL GO FORWARD**
- *NO BUDGET CRISIS**
- *NEWARK, THROUGH AN ECONOMIC ENGINE, WILL
NEW JOBS FOR GENERATIONS TO COME . . . A NEW
NEWARK**
- *CITY LEGAL SUIT AGAINST PA CONTINUES
(Settlement)**

**EXHIBIT A: POSSIBLE CALCULATIONS USING BOGUS
NUMBERS FOR LEASE YEARS
6 - 10 CHOICES**

68M annually

OR

10% of GROSS (*5 year average*)

OR

8% of BANNER YEAR

EXAMPLE

YEAR 6 100 M

YEAR 7 900 M

YEAR 8 100 M

YEAR 9 100 M

YEAR 10 100 M

TOTAL \$1.3 BILLION (*DIVIDED BY 5*)

= \$260 M

10% = 26M

OR

8% of 900M = 72M